

Message Text

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ACTION EUR-12

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PASS TREASURY AND FEDERAL RESERVE

E.O. 11652: EFIN, OECD
SUBJECT: MAY 24 TWP MEETING: FUTURE OF EXCHANGE
GUARANTEE AGREEMENT BETWEEN CERTAIN CENTRAL BANKS
AND OF COMMITTEE FOR MONETARY AND FOREIGN EXCHANGE
MATTERS

REF: (A) PARIS 14867, (B) PARIS 10032, (C) C(78)56

1. SUMMARY. AT ITS MAY 24 MEETING, TEMPORARY WORKING
PARTY (TWP) OF ECONOMIC POLICY COMMITTEE HELD EXCHANGE
OF VIEWS ON FUTURE OF: A) EXCHANGE GUARANTEE AGREE-
MENT BETWEEN CERTAIN CENTRAL BANKS; AND B) COMMITTEE
FOR MONETARY AND FOREIGN EXCHANGE MATTERS. LARGE
MAJORITIES EMERGED FOR TERMINATION OF AGREEMENT AND
CONTINUED EXISTANCE OF COMMITTEE IN SUSPENDED STATE.
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SEPTTEL REPORTED TWP'S MAIN ITEM OF BUSINESS -- I.E.,
BALANCE OF PAYMENTS AND FINANCING PROSPECTS OF SMALLER
OECD COUNTRIES. END SUMMARY.

2. TWP HELD "EXCHANGE OF VIEWS" AS ENVISIONED REF
C. SECRETARIAT REMINDED DELS THAT THEY WERE NOT
COMMITTING THEIR CENTRAL BANKS AND GOVERNMENTS AT

THIS POINT AND THAT, WITH RESPECT TO THE COMMITTEE AND OECD'S ROLE IN THE AGREEMENT, OECD COUNCIL HAD THE DECISION-MAKING AUTHORITY. ALSO NOTED THAT STATUS OF AGREEMENT AND COMMITTEE ARE LEGALLY SEPARATE QUESTIONS ALTHOUGH RELATED.

3. EXCHANGE RATE AGREEMENT

AS AGREED EARLIER BY THE OECD IN C(75)34, AGREEMENT TERMINATES AT END-1978 IN ABSENCE OF DECISION BY PARTICIPATING CENTRAL BANKS AND BY OECD TO REACTIVATE IT OR PROLONG ITS SUSPENSION. ONLY AUSTRIAN DELEGATE EXPRESSED INTEREST IN INITIATING PROCEDURE WHICH COULD RESULT IN AVOIDING TERMINATION (THREE CENTRAL BANKS MUST FORMALLY NOTIFY OECD'S SECRETARY-GENERAL SECGEN WHO WOULD CALL MEETING) BUT HE FELT THAT IN VIEW OF LACK OF SUPPORT AUSTRIAN CENTRAL BANK WOULD QUIETLY ACCEPT TERMINATION. DELS OF OTHER PARTICIPATING COUNTRIES AGREED TO DISCUSS INFORMALLY, IN BIS FORUM, METHODS OF SETTLING OUTSTANDING BALANCES.

4. COMMITTEE FOR MONETARY AND FOREIGN EXCHANGE MATTERS

AGAIN, ONLY AUSTRIAN DEL EXPRESSED INTEREST IN INITIATION SPECIAL PROCEDURE (THREE COUNTRIES NOTIFYING SECGEN WHO WOULD CALL MEETING) WHICH IN THIS CASE COULD LIMITED OFFICIAL USE

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LEAD TO REACTIVATION OF COMMITTEE IF OECD COUNCIL AGREED. COMMITTEE CONTINUES IN SUSPENDED STATE IF NO ACTION TAKEN. ALL OTHERS FAVORED NO ACTION. US DEL (KORP), WITH SUPPORT OF FRG, UK AND SOME OTHERS INDICATED PREFERENCE FOR ABOLITION, IF ONLY FOR SAKE OF ORGANIZATIONAL TIDINESS, WHILE RECOGNIZING THAT PREVIOUSLY AGREED PROCEDURE DID NOT FORMALIZE MEANS OF DISCUSSING THIS POSSIBILITY BELOW COUNCIL LEVEL. US DID NOT PURSUE IDEA IN FACE OF FIRM AUSTRIAN POSITION.

5. THUS, SECGEN WILL AT SOME POINT REPORT TO COUNCIL THAT PARTICIPATING CENTRAL BANKS APPEAR TO FAVOR TERMINATION OF AGREEMENT AND THAT MEMBER COUNTRIES DO NOT WISH TO REACTIVATE COMMITTEE. SINCE DISCUSSION AT TWP CONTINUED TO SHOW CONSIDERABLE SENSITIVITY OF SMALLER COUNTRIES AGAINST ANY EFFORT TO ABOLISH COMMITTEE, WE RECOMMEND AGAINST FURTHER EFFORTS TOWARD THIS END AT THE PRESENT TIME.
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